

THE FUTURE OF AVIATION IN MICHIGAN

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We have a problem.

- ⦿ The primary source of funding for the Michigan Airport System has become an antiquity.
- ⦿ 1929 – 3 cent tax on aviation fuel.
 - 84 years running and no adjustments.
 - Revenue stream is declining for several reasons.
 - Cost to construct/maintain the infrastructure is increasing.
 - The path we are on is not sustainable.

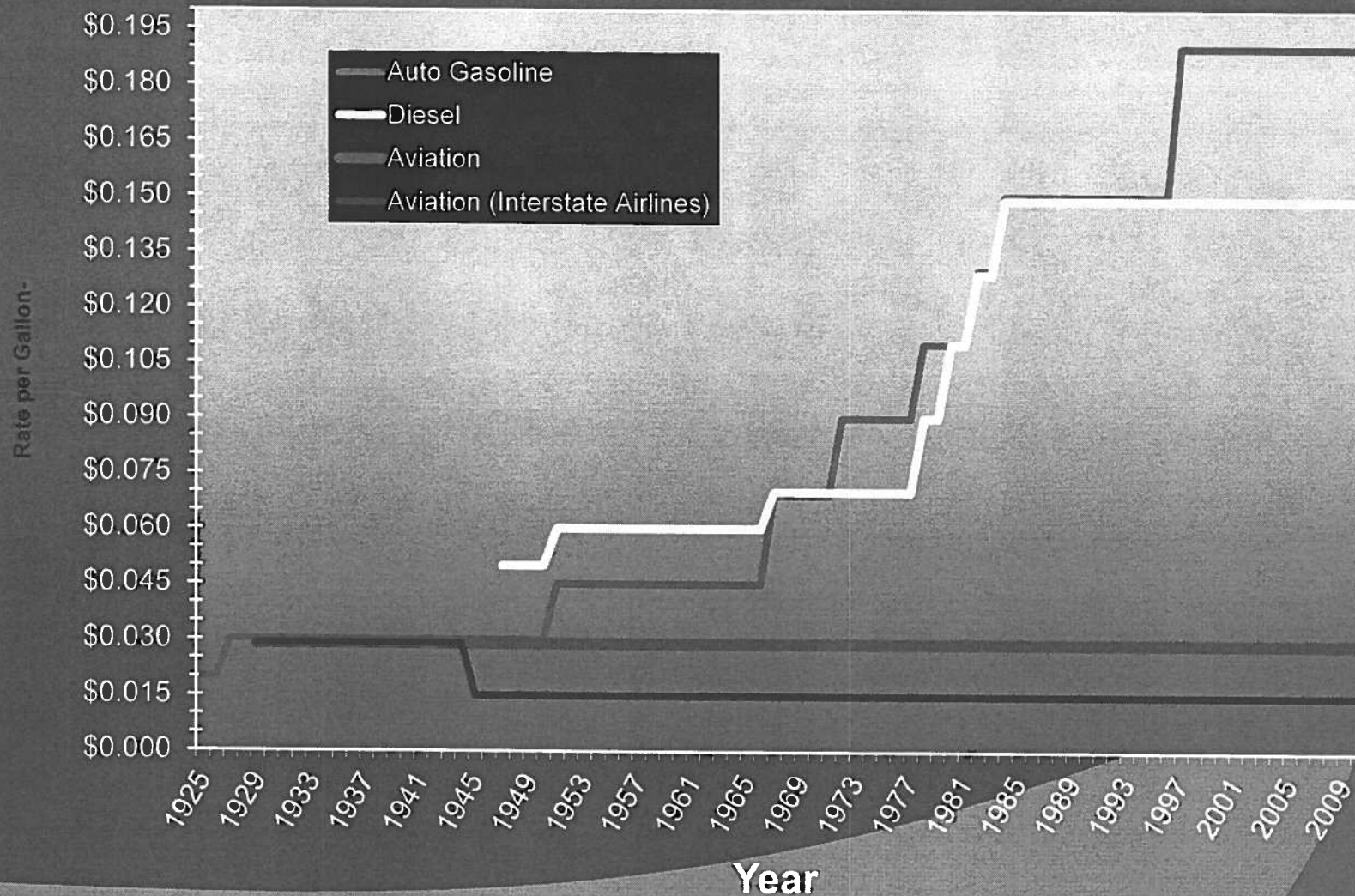
Short Term Solution

- The Governor signed into law PA 226 of 2012 which did the following...
- The bill amended the General Sales Tax Act to dedicate revenue from the 4% sales tax imposed on retail sales of aviation fuel and aviation products, at a maximum of \$10.0 million, to the Aeronautics Fund in fiscal year 2012-13.
- Under the bill, for the 2012-13 fiscal year only, this money could be spent, upon appropriation, only for the purposes authorized in the Aeronautics Code. Not more than \$10.0 million could be deposited in the Fund for the fiscal year.
- Simply put Aviation got a maximum of \$10 million for 1 year.

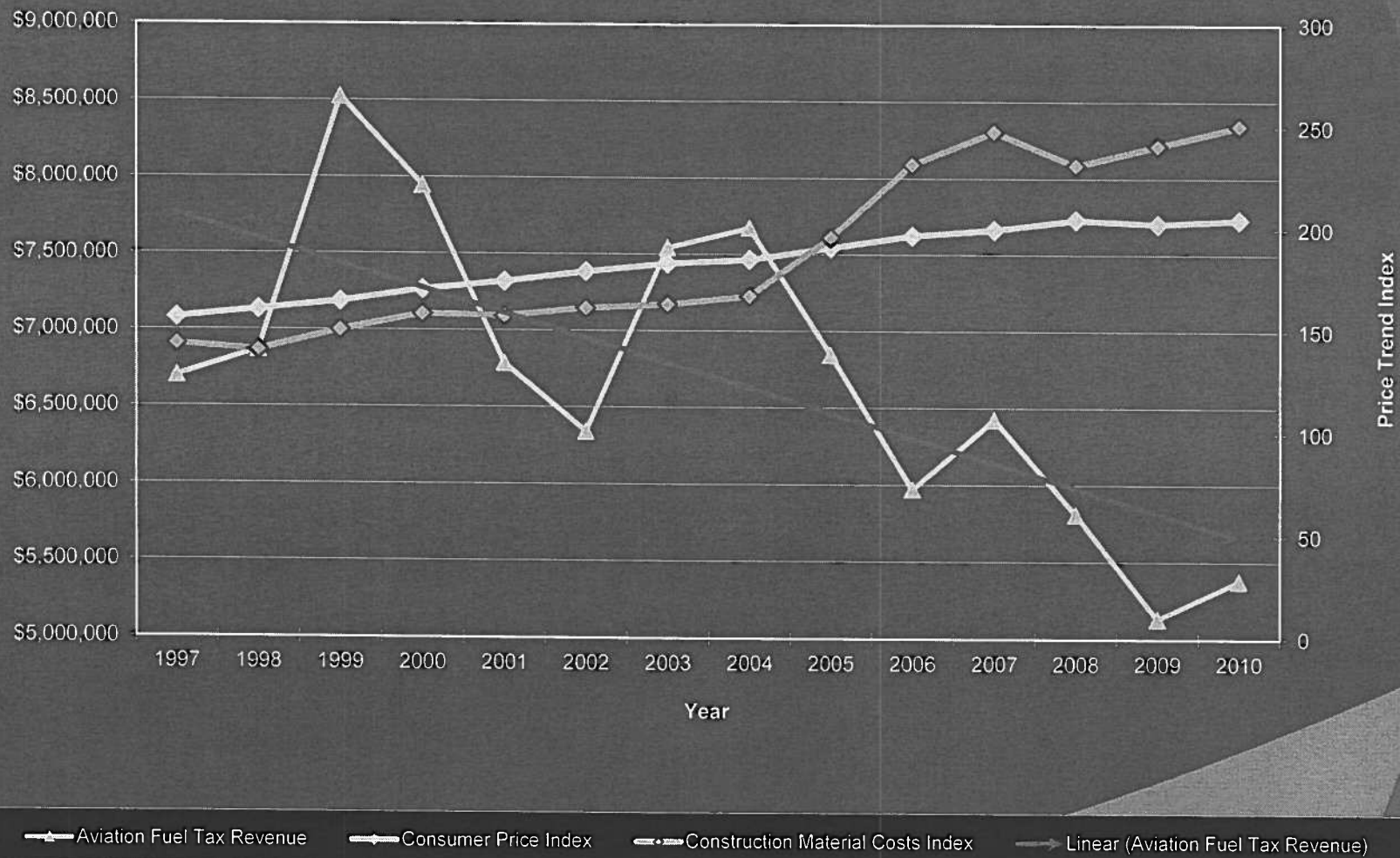
Potential Impact of Shortfall

- ⦿ Inability to Match = Potential Loss of Federal Funds-over a \$100 million
- ⦿ Degradation of Infrastructure
- ⦿ Safety
- ⦿ Inability to support Strategic Objectives
- ⦿ Efficiency
- ⦿ Inability to promote Economic Development Investments
- ⦿ 43 Job for every \$1 Million
- ⦿ Industry Supports Over 7,000 Jobs Annually
- ⦿ Loss of Air Service Program
- ⦿ Aeronautics Staff Reductions

Michigan Fuel Tax Rates



Costs Increasing, Revenues Declining



Why is this a problem?

- Over 100,000 jobs at MI airports
- 1,000 companies with one million employees operate aircraft in MI
- 50 million annual passengers
- 1 billion pounds of air cargo/US mail annually
- MI Airports provide access to all of MI 83 counties
- 3 of the larger airports alone provide an annual economic impact of more than \$8 billion
- Airports are economic engines.

Aviation's Impact to Michigan

- Aviation, both commercial and general aviation, is big business in Michigan:
- • Aviation contributes more than \$20 billion annually to the Michigan economy. An investment of \$15 million brings in \$20 billion of activity to the state.
- • Michigan ranks 5th nationwide in the number of registered business aircraft
- • Business aviation is the fastest growing segment

What is the return on this investment?

- Allows for the leveraging of Federal Funds
 - FAA Airport Improvement Program Grants
 - 90% federal share – State/Local pay 5% each
 - NO matching funds = NO federal funds.
- Allows MDOT Aeronautics to...
 - Offer State/Local programs that have been suspended
 - Pavement maintenance programs, paint markings, ARFF training grants, turf runway markings, All Weather Airport Access.
 - Continue to Administer the State Block Grant Program and provide programming and planning assistance to MI airports.
- Allows for the continued development and maintenance of the Michigan Airport System.

An aerial photograph of an airport, showing a long runway, taxiways, and a terminal building. The surrounding area includes some greenery and other airport infrastructure.

Thank You!

Comments & Questions?